

Congress of the United States
Washington, DC 20510

February 7, 2012

Mr. Edward J. DeMarco
Acting Director
Federal Housing Finance Agency
400 7th Street, SW
Washington, DC 20024

Dear Mr. DeMarco:

We are compelled to write in response to deeply troubling reports that Freddie Mac has strayed from its mission to support home ownership, and has taken financial interests against American homeowners.

Congress chartered Freddie Mac in 1970 to stabilize the nation's residential mortgage market, to expand opportunities for homeownership and affordable rental housing, and to provide liquidity, stability, and affordability to the mortgage market. Despite that mission, and recent testimony by Freddie Mac's Chief Executive to Congress, it has been reported that Freddie Mac has been putting its financial interests in direct opposition to American homeowners. This ward of the government has reportedly "placed multibillion-dollar bets that pay off if homeowners stay trapped in expensive mortgages with interest rates well above current rates."¹ These bets were reportedly taken while your agency has been slow to assist borrowers in high-interest mortgages with refinancing.

If the inability of homeowners to refinance their homes enhances Freddie Mac's bottom line, this is especially troubling. Freddie Mac exists to support the housing market, and it should not have a financial incentive to make it more difficult for struggling homeowners. Such actions by Freddie Mac are contrary to the best interests of American homeowners, sound economic policy, and its mission.

At a time when the FHFA and Government Sponsored Enterprises are requesting additional taxpayer support, it is irresponsible that Freddie Mac would be involved in such activities. Freddie Mac and Fannie Mae should be winding down the speculative trading practices that brought them to their knees, not engaging in more.

The FHFA should prohibit conflicts of interest and ensure that the financial interests of Freddie Mac are aligned with American homeowners and sound economic policy. And it should ensure that the financial interests of executives are also aligned with those of the organizations, and that their compensation is reasonable. We are troubled by reports that the executive responsible for overseeing Freddie Mac's investment portfolio earned \$2.5 million in 2010, and had target compensation of \$2.6 million in 2011, when most of these bets were made. This kind of compensation is completely unacceptable at an entity that is supported by taxpayer funding. It is even more offensive when that compensation is a reward for betting against American homeowners.

¹ "Freddie Mac Betting Against Struggling Homeowners," National Public Radio, 30 January 2012.

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We request that you provide us with:

- (1) a list of any specific transactions, including the dollar amounts and when such investments were made;
- (2) for each transaction, information regarding who at Freddie Mac made the investment decision and the details for how that decision was reached;
- (3) copies of any policies and procedures for FHFA or Freddie Mac that relate to such investments; and
- (4) details regarding any actions you have taken or intend to take to ensure that Freddie Mac does not engage in transactions giving rise to such conflicts of interest in the future.

We look forward to your prompt response.

Sincerely,



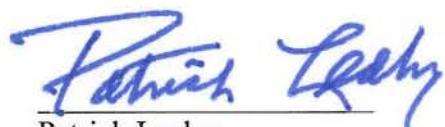
Richard Blumenthal
United States Senator



Mark Begich
United States Senator



Robert P. Casey, Jr.
United States Senator



Patrick Leahy
United States Senator



Bernie Sanders
United States Senator



Mark Pryor
United States Senator



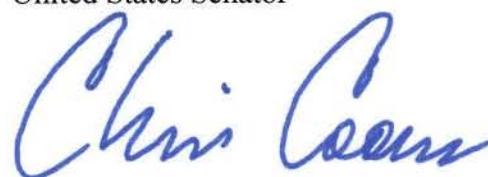
Sheldon Whitehouse
United States Senator



Frank Lautenberg
United States Senator



Al Franken
United States Senator



Chris Coons
United States Senator